



State of Washington
Department of Revenue

Excise Tax Advisory

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INVENTORY TRANSFERS TO BRANCHES PRIOR TO OPENING

Issued June 5, 1970

Are transfers of inventory items to a branch outlet prior to its opening for business taxable under the Wholesaling Functions classification of the business and occupation tax?

The taxpayer argued that the central location acted merely as a conduit in passing merchandise to its branch outlets. He also argued that one of the branches was not open for business when the transfers were made, so it cannot be construed to have been a retail store or outlet; therefore, since there was only one other retail store or outlet, the transfers would not be taxable under RCW 82.04.270.

In the department's opinion, the transfers are properly taxable under the Wholesaling Functions classification. RCW 82.04.270 provides that the business and occupation tax shall be collected from every person engaged in the business of distributing in this state articles of tangible personal property, owned by them from their own warehouse or other central location in this state to two or more of their own retail stores or outlets, where no change of title or ownership occurs, the intent being to impose a tax equal to the wholesaler's tax upon persons performing functions essentially comparable to those of a wholesaler, but not actually making sales. In reply to the taxpayer's arguments, the department stated first, that the taxable event is the transfer of the tangible personal property though no change in title occurs; second, sales of inventory to businesses prior to their opening are clearly wholesale sales. Thus the transfers are clearly Wholesaling Functions.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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